

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.06)

Unit Name* Village of Lyons	County* INGHAM	Type* VILLAGE	MuniCode* 34-3-050
Opinion Date-Use Calendar* May 28, 2008	Audit Submitted-Use Calendar* Aug 31, 2008	Fiscal Year End Month*	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

- ☒ ☐ 1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
- ☒ ☐ 2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
- ☒ ☐ 3. Were the local unit's actual expenditures within the amounts authorized in the budget?
- ☒ ☐ 4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
- ☒ ☐ 5. Did the local unit adopt a budget for all required funds?
- ☒ ☐ 6. Was a public hearing on the budget held in accordance with State statute?
- ☒ ☐ 7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
- ☒ ☐ 8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
- ☒ ☐ 9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
- ☒ ☐ 10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
- ☒ ☐ 11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
- ☒ ☐ 12. Is the local unit free of repeated reported deficiencies from previous years?
- ☒ ☐ 13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
- ☒ ☐ 15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
- ☒ ☐ 16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
- ☒ ☐ 17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
- ☐ ☐ 18. Are there reported deficiencies? ☐ 19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="checkbox"/> \$ 239,451.00
General Fund Expenditure:	<input type="checkbox"/> \$ 195,313.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	<input type="checkbox"/> \$ 226,858.00
Governmental Activities Long-Term Debt (see instructions):	<input type="checkbox"/> \$ 794,530.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* David	Last Name* Wilson	Ten Digit License Number* 1102002446		
CPA Street Address* 3015 m-137	City* INTERLOCHEN	State* MI	Zip Code* 49643	Telephone* +1 (231) 276-7668
CPA Firm Name* Gabridge & Co.	Unit's Street Address* 4245 Clay Ave	Unit's City* Grand Rapids	Unit's Zip* 49548	

VILLAGE OF LYONS

LYONS, MICHIGAN

For Year Ended
February 29, 2008

Audit Report

Gabridge & Co.
4245 Clay Ave.
Grand Rapids, MI 49548
(866) 298-3828

Village of Lyons

Ionian County

February 29, 2008

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INDEPENDENT AUDITOR'S REPORT

To the Village Council
Village of Lyons
Lyons, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Lyons, Michigan, as of and for the year ended February 29, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Lyons, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Lyons, Michigan, as of February 29, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated May 28, 2008, on our consideration of the Village of Lyons, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Gabridge & Co.

Grand Rapids, MI
May 28, 2008

VILLAGE OF LYONS
212 Water Street, P.O. Box 175
Lyons, MI 48851
Ph | 989.855.2125 Fax | 989.855.2813
Villageoflyons@lyonsvillage.org

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements.

The Village as a Whole

The Village's combined net assets increased 5.8% from a year ago - increasing from \$2,263,012 to \$2,395,036. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities experienced an increase of approximately \$12,000 during the year (0.5% increase). The business-type activities experienced an increase of approximately \$120,000 during the year (20.7% increase).

Unrestricted net assets (the part of net assets that can be used to finance day to day operations) increased by \$85,000 for the governmental activities. This represents an increase of approximately 27.2%. The current level of unrestricted net assets for our governmental activities is \$396,767, or about 125% of expenditures.

Business-Type Activities

The Village's business-type activities consist of the Water and Sewer Fund. We provide water to approximately 93% of Village residents, which comes from the Village water system. We provide sewage treatment to approximately 95% of Village residents, through the Sewer Maintenance system.

The Village's Funds

Our analysis of the Village's major funds begins on page 3, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Village as a whole. The Village Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities such as special property tax millages.

General Fund Budgetary Highlights

Over the course of the year, the Village Council amended the budget to take into account events during the year. Village departments overall stayed within budget, resulting in total expenditures being \$25,759 below budget.

Management's Discussion and Analysis

Capital Asset and Debt Administration

At the end of 2008, the Village had \$2,425,187 invested in a broad range of capital assets, including buildings, land, water and sewer lines and roads within the Village.

Economic Factors and Next Year's Budgets and Rates

Because of the impact of Proposal A, however, the Village needs to continue to watch its budget very closely. The state-wide tax reform act limits growth in taxable value on any individual property to the lesser of inflation or 5%. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the Village will grow less than by inflation before considering new property additions.

Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

VILLAGE OF LYONS
Government Wide Statement of Net Assets
February 29, 2008

	Primary Government		
	Governmental	Business	
	Type	Type	
	Activities	Activities	Total
Assets			
Current Assets			
Cash	\$ 353,083	\$ 382,888	\$ 735,972
Taxes Receivable - Delinquent	-	-	-
Due From State	23,831	-	23,831
Due From Other Funds	8,936	8,401	17,337
Receivables - Net	1,726	38,428	40,154
Other Assets	2,555	1,305	3,860
Total Current Assets	390,132	431,023	821,154
Noncurrent Assets			
Restricted Cash	-	35,111	35,111
Capital Assets - Net	1,493,360	931,828	2,425,187
Total Assets	\$ 1,883,491	\$ 1,397,962	\$ 3,281,453
Liabilities			
Current Liabilities			
Accounts Payable	\$ 950	\$ -	\$ 950
Current Portion of Noncurrent Liabilities	-	51,500	51,500
Interest Payable	-	10,399	10,399
Due to Other Funds	17,337	-	17,337
Other Current Liabilities	5,609	1,153	6,762
Total Current Liabilities	23,895	63,052	86,947
Noncurrent Liabilities			
Deposits Payable	-	4,416	4,416
Bonds, Notes and Loans Payable	167,000	576,030	743,030
Total Liabilities	190,895	643,498	834,394
Net Assets			
Invested in Capital Assets - Net of			
Related Debt	1,265,391	304,297	1,569,688
Restricted	30,438	35,110	65,548
Unrestricted	396,767	415,056	811,822
Total Net Assets	1,692,596	754,463	2,447,059
Total Liabilities & Net Assets	\$ 1,883,491	\$ 1,397,962	\$ 3,281,453

VILLAGE OF LYONS
Government Wide Statement of Activities
For the Year Ended February 29, 2008

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary Government						
General Government	152,662	-	-	(152,662)	-	(152,662)
Public Safety	7,799	-	-	(7,799)	-	(7,799)
Public Works	182,829	67,178	87,066	(28,585)	-	(28,585)
Health & Welfare	3,274	-	-	(3,274)	-	(3,274)
Community Development	947	-	-	(947)	-	(947)
Culture & Recreation	27,519	-	-	(27,519)	-	(27,519)
Debt Service	11,245	-	-	(11,245)	-	(11,245)
Other Functions	2,329	-	-	(2,329)	-	(2,329)
Total Governmental Activities	388,603	67,178	87,066	(234,359)	-	(234,359)
Business-Type Activities						
Water & Sewer	192,638	213,285	-	-	20,647	20,647
Total Business-Type Activities	192,638	213,285	-	-	20,647	20,647
Total Primary Government	581,241	280,463	87,066	(234,359)	20,647	(213,712)
General Revenues						
Property Taxes				132,190	-	
State Grants				82,266	51,219	
Debt Service Fee				-	69,432	
Unrestricted Investment Earnings				9,633	11,953	
Fines & Forfeitures				144	-	
Other Revenue				21,834	3,032	
Total General Revenues - Special Items & Transfers				246,068	135,636	
Change in Net Assets				11,709	156,283	
Net Assets - Beginning				1,680,888	582,124	
Net Assets - Ending				\$ 1,692,597	\$ 738,407	

The footnotes are an integral part of these Financial Statements

VILLAGE OF LYONS
Balance Sheet
Governmental Funds
February 29, 2008

	General Fund	Major Street Fund	Local Street Fund	Other Non Major Funds	Total Governmental Funds
Assets					
Current Assets					
Cash	\$ 235,401	\$ 1,124	\$ 3,637	\$ 22,259	\$ 262,422
Taxes Receivable	-	-	-	-	-
Due From State	10,440	9,579	3,812	-	23,831
Due From Other Funds	-	4,900	3,518	-	8,418
Receivables - Net	1,726	-	-	-	1,726
Other Assets	1,148	688	688	-	2,524
Total Assets	<u>\$ 248,715</u>	<u>\$ 16,291</u>	<u>\$ 11,655</u>	<u>\$ 22,259</u>	<u>\$ 298,920</u>
Liabilities					
Current Liabilities					
Accounts Payable	\$ 512	\$ 263	\$ 175	\$ -	\$ 950
Due to Other Funds	17,337	-	-	-	17,337
Other Liabilities	4,008	780	302	-	5,091
Total Liabilities	<u>21,857</u>	<u>1,043</u>	<u>477</u>	<u>-</u>	<u>23,377</u>
Fund Balances					
Reserved Fund Balance	4,804	1,800	1,800	-	8,404
Fund Balance	222,054	13,448	9,377	22,259	267,138
Total Fund Balance	<u>226,858</u>	<u>15,248</u>	<u>11,177</u>	<u>22,259</u>	<u>275,542</u>
Total Liabilities & Fund Balances	<u>\$ 248,715</u>	<u>\$ 16,291</u>	<u>\$ 11,654</u>	<u>\$ 22,259</u>	<u>\$ 298,920</u>

Amounts reported for governmental activities in the statement of net assets are different because:

Fund Balance	\$ 275,542
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	1,493,360
Internal Service Funds are used by management to charge the cost of motor pool activities to other funds. The assets and liabilities of the internal service funds are included in the governmental activities of the statement of net assets.	90,694
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	(167,000)
Net Assets of Governmental Activities	<u>\$ 1,692,596</u>

VILLAGE OF LYONS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended February 29, 2008

	General Fund	Major Street Fund	Local Street Fund	Other Non-Major Funds	Total Governmental Funds
Revenues					
Taxes	\$ 130,753	\$ -	\$ -	\$ 1,437	\$ 132,190
Fines & Forfeitures	144	-	-	-	144
Federal Grants	-	-	-	-	-
State Grants	82,266	62,283	24,783	-	169,332
Charges for Services	-	-	-	-	-
Interest & Rentals	6,396	660	34	42	7,132
Other Revenue	19,892	1,696	1,741	-	23,329
Total Revenues	<u>239,451</u>	<u>64,639</u>	<u>26,558</u>	<u>1,479</u>	<u>332,128</u>
Expenditures					
General Government	154,392	-	-	-	154,392
Public Safety	7,799	-	-	-	7,799
Public Works	-	67,735	32,919	-	100,654
Health & Welfare	3,274	-	-	-	3,274
Community & Economic Development	-	-	-	947	947
Culture & Recreation	27,519	-	-	-	27,519
Other Functions	2,329	-	-	-	2,329
Debt Service	-	19,245	-	-	19,245
Capital Outlay	-	-	-	-	-
Total Expenditures	<u>195,313</u>	<u>86,980</u>	<u>32,919</u>	<u>947</u>	<u>316,159</u>
Excess Revenues Over (Under) Expenditures	<u>44,138</u>	<u>(22,341)</u>	<u>(6,361)</u>	<u>533</u>	<u>15,969</u>
Other Financing Sources (Uses)					
Transfers Out	(30,000)	-	-	-	(30,000)
Transfers In	-	20,000	10,000	-	30,000
Total Other Financing Sources (Uses)	<u>(30,000)</u>	<u>20,000</u>	<u>10,000</u>	<u>-</u>	<u>-</u>
Changes in Fund Balances					
Net Change in Fund Balances	14,138	(2,341)	3,639	533	15,969
Fund Balance - Beginning of Year	212,720	15,789	5,739	20,749	254,997
Fund Balance - End of Year	<u>\$ 226,858</u>	<u>\$ 13,448</u>	<u>\$ 9,378</u>	<u>\$ 21,282</u>	<u>\$ 270,966</u>

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balance	\$ 15,969
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation. This is the amount by which depreciation exceeded capital outlays in the current period.	(38,206)
Internal Service Funds are used by the management to charge the costs of motor pool activities to other funds. The net revenue (expense) of the internal service fund is reported with governmental activities.	25,945
Principle payment of debt service is not expensed with governmental activities	8,000
Change in Net Assets of Governmental Activities	<u>\$ 11,709</u>

VILLAGE OF LYONS
Statement of Net Assets
Proprietary Funds
February 29, 2008

	Business-type Activities Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Fund
Assets				
Current Assets				
Cash	\$ 138,989	\$ 243,900	\$ 382,888	\$ 90,662
Taxes Receivable - Delinquent	-	-	-	-
Due From State	-	-	-	-
Due From Other Funds	6,186	2,215	8,401	518
Receivables - Net	26,759	11,669	38,428	-
Other Assets	974	332	1,305	31
Total Current Assets	<u>172,907</u>	<u>258,115</u>	<u>431,023</u>	<u>91,211</u>
Noncurrent Assets				
Restricted Cash	35,111	-	35,111	-
Capital Assets - Net	756,853	174,974	931,828	60,969
Total Assets	<u>\$ 964,872</u>	<u>\$ 433,089</u>	<u>\$ 1,397,962</u>	<u>\$ 152,180</u>
Liabilities				
Current Liabilities				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Current Portion of Noncurrent Liabilities	51,500	-	51,500	-
Interest Payable	10,399	-	10,399	-
Due to Other Funds	-	-	-	-
Other Current Liabilities	630	524	1,153	518
Total Current Liabilities	<u>62,528</u>	<u>524</u>	<u>63,052</u>	<u>518</u>
Noncurrent Liabilities				
Deposits Payable	3,952	465	4,416	-
Bonds, Notes and Loans Payable	576,030	-	576,030	-
Total Liabilities	<u>642,510</u>	<u>988</u>	<u>643,498</u>	<u>518</u>
Net Assets				
Invested in Capital Assets - Net of Related Debt	129,323	174,974	304,297	-
Restricted	35,111	(0)	35,110	22,034
Unrestricted	157,929	257,127	415,056	129,628
Total Net Assets	<u>322,362</u>	<u>432,101</u>	<u>754,463</u>	<u>151,662</u>
Total Liabilities & Net Assets	<u>\$ 964,872</u>	<u>\$ 433,089</u>	<u>\$ 1,397,962</u>	<u>\$ 152,180</u>

VILLAGE OF LYONS
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended February 29, 2008

	Business-type Activities Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Fund
Operating Revenue				
Forfeitures & Fines	\$ 1,252	\$ 475	\$ 1,727	\$ -
License & Permits	2,170	2,130	4,300	-
Charges for Services	131,745	67,373	199,118	67,178
Infrastructure Renewal	-	8,140	8,140	-
Total Operating Revenue	135,167	78,118	213,285	67,178
Operating Expenses				
Office Expenses	17,246	18,227	35,473	5,650
Repair & Maintenance	62,801	23,541	86,342	27,865
Depreciation	25,868	13,285	39,153	8,724
Total Operating Expenses	105,915	55,053	160,968	42,238
Operating Income (Loss)	29,252	23,065	52,317	24,940
Other Revenue (Expenses)				
Interest on Long Term Debt	(31,670)	-	(31,670)	-
Debt Service Fee	69,432	-	69,432	-
Grants	51,219	-	51,219	-
Interest Earned	4,904	7,049	11,953	2,501
Miscellaneous	2,857	175	3,032	(1,495)
Total Other Revenue (Expenses)	96,742	7,224	103,966	1,006
Income (Loss) Before Transfers In (Out)	125,994	30,289	156,283	25,945
Transfers In (Out)	-	-	-	-
Change in Net Assets	125,994	30,289	156,283	25,945
Total Net Assets - Beginning	186,361	395,763	582,124	125,717
Total Net Assets - Ending	\$ 312,355	\$ 426,052	\$ 738,407	\$ 151,662

VILLAGE OF LYONS
Statement of Cash Flows
Proprietary Funds
For the Year Ended February 29, 2008

	Enterprise Funds	
	Water Fund	Sewer Fund
Cash Flows From Operating Activities		
Net Income (Loss)	\$ 125,994	\$ 30,289
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	25,868	13,285
Interest and Dividends	(4,904)	(7,049)
Interest on Long Term Debt	31,670	-
Changes in Current Assets and Current Liabilities		
Accounts Receivable - Net	(453)	516
Due from Other Funds	(630)	(523)
Other Assets	(1,020)	(103)
Accounts Payable	(22,929)	(3,000)
Due to Other Funds	(89)	(27)
Current Portion of Noncurrent Liabilities	403	-
Interest Payable	(925)	-
Other Current Liabilities	630	524
Net Cash Provided by Operating Activities	153,615	33,912
Cash Flows From Capital and Related Financing Activities		
Deposits Payable	(1,787)	(1,475)
Principal Paid on Capital Debt	(51,501)	-
Net Cash Provided by Capital and Related Financing Activities	(53,288)	(1,475)
Cash Flows From Investing Activities		
Interest and Dividends	4,904	7,049
Interest on Long Term Debt	(31,670)	-
Net Cash Provided by Investing Activities	(26,766)	7,049
Net Increase (Decrease) in Cash and Cash Equivalents	73,561	39,486
Cash and Cash Equivalents at Beginning of Year	65,428	204,414
Cash and Cash Equivalents at End of Year	<u>\$ 138,989</u>	<u>\$ 243,900</u>

The footnotes are an integral part of these Financial Statements

VILLAGE OF LYONS, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
February 29, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Lyons is located in Ionia County. It was incorporated on 1881 and covers an area of approximately 1.2 square miles. The Village operates under an elected Village Council of 6 members (later revised to 4) and provides services to its more than 726 residents in many areas including water and sewer services, community enrichment and development, and human services.

Presentation

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely significantly on fees and charges for support.

The statement of activities demonstrates the degree direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or recipients who purchase, use, or benefit from the goods and services provided by the various function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

REPORTING ENTITY

As defined by the Governmental Accounting Standards Board Statement 1, all relevant criteria was reviewed in an attempt to decide if other entities ought to be included in this audit report. If certain oversight responsibility occurs, that subordinate entity activity should be noted in this report. Oversight responsibility is evidenced by:

- selection of governing authority
- designation of management
- ability to significantly influence operations
- budgetary authority
- responsibility to fund deficits or receive surplus funds
- fiscal management
- providing significant subsidies

Based on the criteria established above, the Village of Lyons has no component units.

BASIS OF PRESENTATION

The financial activities of the local unit are recorded in separate funds, categorized and described as follows:

GOVERNMENTAL FUND TYPES

General Fund - This fund is used to account for all financial transactions not accounted for in another fund, included the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants and other intergovernmental revenues.

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted for specific purposes. These funds include the Major and Local Street Funds.

PROPRIETARY FUND TYPE

Enterprise Funds - These funds report operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes. The Village's Sewer and Water Funds are Enterprise Funds.

MEASUREMENT FOCUS

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and Trust and Agency fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 30 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Village's water and sewer function and various other functions of the government. Elimination of these would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

BASIS OF ACCOUNTING

All governmental funds utilize the modified accrual basis of accounting as described in GASB #1 and reports in accordance with GASB #34. Under this method, revenues are recognized when received in cash except for those susceptible to accrual, which are recorded as receivable.

Significant revenues susceptible to accrual include property taxes, expenditures reimbursement type grants, certain intergovernmental revenues and operating transfers. Expenditures are recorded when the liability is incurred, except for interest on long-term debt, which is recorded when paid.

The financial statements of proprietary funds are reflected on the accrual basis and recorded as incurred.

USE OF ESTIMATES

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

BUDGETS AND BUDGETARY ACCOUNTING

The General Fund and Special Revenue Funds are under formal budgetary control. Budgets shown in the financial statements for these were prepared on a basis not significantly different from modified accrual basis used to reflect actual results.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on an account or line-item basis. The approved budgets of the Village for these budgetary funds were adopted to the activity level, or by total fund revenue/expenditures for the smaller funds.

ACCUMULATED FUND DEFICITS

No funds had a negative fund balance.

COMPARATIVE DATA

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Villages financial position and operations.

SICK AND VACATION LEAVE

Village employees cannot accumulate sick leave. Sick leave is non-cumulative and must be used by fiscal year end or it is lost without reimbursement to the employee.

Vacation leave policy is to take vacation or lose the remainder at year end.

PENSION/RETIREMENT PLAN

Plan Description – The Village participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the Village. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issued a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at:

1134 Municipal Way
Lansing, MI 48917

Funding Policy – The obligation to contribute to and maintain the system for these employees was established by negotiation with the Village's employees and requires a contribution from the employees of 4 percent and from the employer of 7.43 percent of gross wages for general employees.

Annual Pension Costs - For year ended 2007, the Village's annual pension cost of \$6,756 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2006, using the entry age normal cost method. Significant actuarial assumptions used include: (i) and 8 percent investment rate of return; and (ii) projected salary increases of 4.5 percent per year. Both were determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll contributions over a period of years. The standard amortization period to fund the unfunded liability is 30 years for positive unfunded liabilities, and 10 years for negative unfunded liabilities. Three-year trend information as of December 31, 2007 follows:

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Annual Pension Cost	\$ 5,780	\$ 7,496	\$ 6,756
Actuarial Value of Assets	\$ 33,641	\$ 33,641	\$ 33,641
Actuarial Value of Liability	\$ 40,190	\$ 40,802	\$ 40,802
Unfunded AAL	\$ 6,549	\$ 7,161	\$ 7,161
Funded Ratio	83.7%	82.4%	82.4%
Covered Payroll	\$ 90,098	\$ 83,786	\$ 91,489
UAAL as a Percentage of Covered Payroll	7%	9%	8%

NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. Legal or Contractual Provisions for Deposits and Investments

The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by Act No. 217, Public Acts of 1982, states the Authority by which Treasurers may invest funds and includes the following:

- a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.
- c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- d) Repurchase agreements consisting of instruments listed in subdivision (a).
- e) Bankers' acceptances of United States banks.
- f) Obligations of this state or any of its political subdivisions that at the time of purchase are rated

as investment grade by not less than 1 standard rating service.

g) Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 Stat. 789, 15 USC 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:

i) The purchase of securities on a when-issued or delayed delivery basis.

ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.

iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.

h) Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the urban cooperation act of 1967.

i) Investment pools organized under the surplus funds investment pool act, 1982 PA 367.

j) The investment pools organized under the local government investment pool act, 1985 PA 121. In bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States, in which the principal and interest is fully guaranteed by the United States.

<u>Deposits</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>	A reconciliation of cash and investments as shown on the Statement of
Insured (FDIC)	251,361	238,895	
Uninsured	497,077	497,077	
Total Deposits	\$ 748,438	\$ 735,972	

Net Assets and Statement of Fiduciary Net Assets to deposits and investments as classified for note disclosure is as follows:

Statement of Net Assets

Cash	700,861
Restricted Cash	35,111
Total	\$ 735,972

Deposits and Investments

Bank deposits	735,972
Cash on hand	100
Total	\$ 736,072

The Village chooses to disclose its investments by specifically identifying each. As of year end, the Village had the following deposits and investments:

	<u>Carrying Amount (Fair Value)</u>	<u>Credit Rating</u>	<u>Maturity</u>
Deposits and Investments			
Government money market:			
Independent Bank	435,648	Unrated	N/A
ICNB	312,790	Unrated	N/A
Total	\$ 748,438		

NOTE 3 - INVENTORIES

The village does not maintain any material inventories.

NOTE 5 – LONG TERM DEBT

Revenue Bonds Payable - Series 2000-B (Bond Authority)

\$425,000 of bonds were issued in 2001 to finance water system improvements within the Village. Principle payments are due annually on November 1 with interest payable on May 1 and November 1:

Year Ending February 28,	Principal	Interest
2009	10,000	19,215
2010	10,000	18,735
2011	10,000	18,090
2012	10,000	17,550
2013	10,000	17,010
Thereafter	305,000	127,194
Totals	\$355,000	\$217,794

Revenue Bonds Payable (GMAC)

Principal payments are due annually on January 1 with interest payable on January 1 and July 1. Those bonds maturing in 1982 and thereafter are subject to redemption prior to maturing after January 1, 1981, at the option of the Village in inverse numerical order on any interest date at par plus accrued interest to the date of redemption.

Year Ending February 28,	Principal	Interest
2009	18,000	3,850
2010	19,000	2,950
2011	20,000	2,000
2012	20,000	1,000
Totals	\$ 77,000	\$ 9,800

Water System Installment Purchase Debt

Principal and interest payments are due annually on May 1, as follows:

Year Ending February 28,	Principal	Interest
2009	7,000	4,438
2010	8,000	4,000
2011	8,000	3,500
2012	9,000	3,000
2013	9,000	2,437
Thereafter	30,000	3,750
Totals	\$ 71,000	\$ 21,125

Settlement Agreement and Mutual Release Between Village of Muir and Village of Lyons

In June 2005 the Village entered into a Settlement Agreement and Mutual Release with the Village of Muir to settle a lawsuit between the two parties. The settlement amount is \$175,000 plus interest of 2.5% payable in annual payment: In the amount of \$19,612.98 due each July 1.

Year Ending February 28,	Principal	Interest
2009	16,500	3,113
2010	16,911	2,701
2011	17,335	2,278
2012	17,768	1,845
2013	18,213	1,400
Thereafter	37,803	1,424
Totals	\$124,530	\$ 12,761

2006 Michigan Transportation Fund Bonds

Principal payments are due annually on April 1 with interest payable on April 1 and October 1 as follows:

Year Ending February 28,	Principal	Interest
2009	9,000	7,933
2010	9,000	7,504
2011	10,000	7,078
2012	10,000	6,603
2013	10,000	6,127
Thereafter	119,000	30,020
Totals	\$167,000	\$ 65,265

NOTE 6 - EXPENDITURES IN EXCESS OF APPROPRIATIONS IN BUDGETED FUNDS

Public Act 621 of 1978, requires that a municipality shall not incur expenditures in excess of the monies appropriated. No activity expended amounts greater than appropriations. The Village's actual expenditures and budgeted expenditures for the funds budgeted have been shown on a department / activity basis.

During the fiscal year ended February 29, 2008, the Village incurred expenditures in certain budgeted funds, which were in excess of the amount appropriated, as follows:

	Budgeted Amounts		Actual Amounts	Favorable (Unfavorable)
	Original	Final		
General Fund				
Administration	30,835	38,000	38,927	\$ (927)
Elections	1,600	-	1,371	\$ (1,371)
Major Street Fund				
Winter Maintenance	12,455	25,000	26,806	\$ (1,806)
DDA Fund				
Community Development	672	840	947	\$ (107)

NOTE 7 - RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Village is insured with the Michigan Municipal Liability and Property Pool. Workers' compensation coverage is acquired from the Accident Fund of Michigan.

The Pool was established for the purpose of making a self-insurance pooling program available which includes, but is not limited to, general liability coverage, auto liability coverage, property insurance coverage, stop loss insurance protection, claims administration and risk management and loss control services pursuant to Michigan Public Act 138 of 1982. The Village pays an annual premium to the Pool for property (buildings and contents) coverage, automobile and equipment liability, errors or omissions liability and bodily injury, property damage and personal injury liability. The agreement for the information of the Pool provides that the Pool will be self-sustaining through member payments determined necessary by the Pool Board. During fiscal year end February 29, 2008 and the two years, there were no settlements that exceeded the respective insurance coverage. In addition, there has been no reduction in insurance coverage from the prior year.

NOTE 8 – CONTINGENT LIABILITIES

The Village, in connection with the normal conduct of its affairs, is involved in various claims, judgments, and litigation. The Village's attorney and insurance carrier estimate that the potential claims against the Village, not covered by insurance resulting from such litigation, would not materially affect the financial statements of the Village.

VILLAGE OF LYONS
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund
For the Year Ended February 28, 2007 and February 29, 2008

	Original Budget	Final Budget	2007 Actual	2008 Actual	Variance Favorable (Unfavorable)
Revenue					
Current Property Taxes	\$123,500	153,837	127,791	130,753	(23,084)
Administration Fee Revenue	1,235	1,235	0	1,167	(68)
Forfeitures and Fines	0	0	14	144	144
State Shared Revenues	68,417	68,417	84,769	82,266	13,849
Park Fees	1,000	1,000	6,906	655	(345)
Earned Interest	5,400	5,400	6,546	6,396	996
Contributions & Donation	0	0	0	3,136	3,136
Special Events	1,500	1,500	0	2,257	757
Island Fest	5,000	5,000	0	6,854	1,854
Other Revenue	2,145	2,145	6,076	5,823	3,678
Total Revenues	208,197	238,534	232,102	239,451	917
Expenditure					
General Government					
Village Council	6,813	6,813	6,333	5,318	1,495
President	2,689	2,700	2,616	2,692	8
Clerk	20,012	21,000	21,607	21,104	(104)
Treasurer	9,488	11,300	9,101	10,626	674
Administration	30,835	38,000	19,073	38,927	(927)
Elections	1,600	0	0	1,371	(1,371)
Buildings & Grounds	80,467	80,467	73,962	74,355	6,112
Total General Government	151,904	160,280	132,692	154,392	5,888
Public Safety - Fire Department	8,150	8,150	5,286	7,799	351
Health & Welfare - Ambulance Service	3,300	3,300	3,274	3,274	26
Parks and Recreation	17,016	18,000	16,202	17,872	128
Recreation & Culture	6,795	9,700	5,932	9,647	53
Insurance & Bonds	2,163	2,400	2,078	2,329	71
Capital Outlay	0	0	10,218	0	0
Total Expenditures	189,328	201,830	175,682	195,313	6,517
Excess Revenues Over (Under) Expenditures	18,869	36,704	56,420	44,138	7,435
Other Financing Sources (Uses)					
Transfers Out	40,000	26,000	45,000	30,000	(4,000)
Transfers In	0	0	1,394	0	0
Excess Revenue and Other Financing Sources Over (Under) Expenditures and Other Uses	(21,131)	10,704	12,814	14,138	3,435
Fund Balance - Beginning of Year			199,906	212,720	
Fund Balance - End of Year			212,720	226,858	

The footnotes are an integral part of these Financial Statements

VILLAGE OF LYONS
Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended February 29, 2008

	DDA Fund	Street Construction Bond	Total Nonmajor Governmental Funds
Revenues			
Taxes	\$ 1,437	\$ -	\$ 1,437
Interest & Rentals	-	42	42
Other Revenue	-	-	-
Total Revenues	<u>1,437</u>	<u>42</u>	<u>1,479</u>
Expenditures			
Community & Economic Development	947	-	947
Total Expenditures	<u>947</u>	<u>-</u>	<u>947</u>
Excess Revenues Over (Under) Expenditures	<u>491</u>	<u>42</u>	<u>533</u>
Other Financing Sources (Uses)			
Transfers Out	-	-	-
Transfers In	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Changes in Fund Balances			
Net Change in Fund Balances	491	42	533
Fund Balance - Beginning of Year	2,380	18,369	20,749
Fund Balance - End of Year	<u>\$ 2,871</u>	<u>\$ 18,411</u>	<u>\$ 21,282</u>

The footnotes are an integral part of these Financial Statements

VILLAGE OF LYONS
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance
DDA Fund
For the Year Ended February 28, 2007 and February 29, 2008

	Original Budget	Final Budget	2007 Actual	2008 Actual	Variance Favorable (Unfavorable)
Revenue					
Property Tax Revenue	1,087	1,400	1,087	1,437	37
Total Revenues	\$ 1,087	\$ 1,400	\$ 1,087	\$ 1,437	37
Expenditure					
Community Development	672	840	29	947	-107
Total Expenditures	\$ 672	\$ 840	\$ 29	\$ 947	-107
Excess Revenues Over (Under) Expenditures	415	560	1,058	490	-70
Other Financing Sources (Uses)					
Transfers Out	0	0	1,394	0	0
Transfers In	0	0	0	0	0
Total Other Financing Sources (Uses)	\$ 0	\$ 0	-\$ 1,394	\$ 0	0
Excess Revenue and Other Financing Sources Over (Under) Expenditures and Other Uses	\$ 415	\$ 560	-\$ 337	\$ 490	-70
Fund Balance - Beginning of Year			2,717	2,380	
Fund Balance - End of Year			2,380	2,870	

VILLAGE OF LYONS
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance
Street Construction Bond
For the Year Ended February 28, 2007 and February 29, 2008

	Original Budget	Final Budget	2007 Actual	2008 Actual	Variance Favorable (Unfavorable)
Revenue					
Interest Earned	0	0	0	42	42
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 42	42
Expenditure					
Administration	0	0	0	0	0
Total Expenditures	\$ 0	\$ 0	\$ 0	\$ 0	0
Excess Revenues Over (Under) Expenditures	0	0	0	42	42
Other Financing Sources (Uses)					
Transfers Out	0	0	0	0	0
Transfers In	0	0	0	0	0
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	0
Excess Revenue and Other Financing Sources Over (Under) Expenditures and Other Uses	\$ 0	\$ 0	\$ 0	\$ 42	42
Fund Balance - Beginning of Year			18,370	18,370	
Fund Balance - End of Year			18,370	18,412	

May 28, 2008

Village of Lyons Board
Lyons, Michigan

We have audited the financial statements of Village of Lyons for the year ended February 28, 2008 and have issued our report thereon dated May 28, 2008. Professional standards require that we provide you the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Significant Accounting Policies

Management has the responsibility for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by Village of Lyons are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Village of Lyons' books during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transactions occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Audit Adjustments

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material; either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements of the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Comments

The segregation of duties continues to be an issue in both the coordination of bank reconciliations and the account distribution.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We wish to thank the staff for their support and assistance during our audit.

This information is intended solely for the use of the Village Board and management of Village of Lyons and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Cambridge & Co". The script is cursive and fluid.

Grand Rapids, MI
May 28, 2008